

Rising Silver Prices

Silver headed to \$200

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With gold back above \$1,550 and silver firming, today King World News interviewed Peter Schiff, President of Europacific Capital. When asked about the mining shares Schiff stated,

“Well I think they are throwing these stocks away. I mean gold is less than \$20 from a record high, yet if you look at the HUI (Gold Bugs Index) a 16% rally is what it would need just for the index to get back to where it was when gold was less than \$20 higher than its current price. You look at some of the big gold mining companies – Barrick Gold is trading at 10 times forward earnings, 10 times earnings!

I remember when that stock was 30 to 40 times earnings, yet here we have a huge bull market in the price of gold and the PE’s have compressed to 10. I think anyone who believes there is a bubble in precious metals, all you have to do is look at the PE’s of these mining stocks and realize this isn’t a bubble at all. This is a huge wall of worry and everybody is more fearful than greedy in the gold mining market.”

Schiff continues:

When asked about year over year increases in inflation in the UK with butter being up 57%, bread 50%, potatoes 103%, tomatoes 63%, cauliflower 82.6% Schiff remarked,

“Inflation is the money that the Fed is printing that is causing all of these prices to rise. The Fed has been printing money like crazy. The Federal Reserve has been printing enough money to buy all of the net new issuance of US government debt...Central banks around the world are also printing money to prevent their currencies from rising against the debased dollar.

So the world is in a money printing fest and the result is that prices are rising, mostly for commodity prices. The Fed is going to be announcing today what it’s going to do with interest rates once the official policy of QE2 or dollar debasement comes to an end. Will they replace it with a QE3? I think the Fed will try to deny that, but I believe that they will do it because without the continuous printing of money, interest rates will rise sharply and this phony bubble economy that’s built on a foundation of cheap credit will come tumbling down.

The Fed does not want that and so the Fed will print more money which means bread prices, butter prices, all of those prices that you mentioned are going much higher, including the price of gold and ultimately the value of the companies that mine the gold.”

When asked how long the little guy can stand up against the massive year over year inflation with Brent Crude oil up 53.2%, diesel 45.8%, car insurance 74.7%, cotton uniforms 66% to 77% and oranges up 67% Schiff responded,

“It’s going to be harder and harder, especially since more and more of the little guys are unemployed and struggling beneath their own debt...”

“We (the US) are the grand-daddy of all sovereign credit problems and our crisis is going to be too big to hide beneath a bailout or to kick down the road. The IMF is not going to step in with loans to the United States government. The IMF is getting its money from the US, and of course we are getting our money from China. So when we fail, there is no way out.

We’re going to have the same problems as Greece. The reason that Greece can’t pay its bills is that interest rates are rising and the Greeks don’t have the money. Well, the same thing is going to happen in America. When interest rates eventually rise, we can’t afford to pay because we’ve borrowed so much...And unless we can find new buyers of our debt, we’re going to have to default.”

When asked about gold and silver in that environment Schiff replied,

“They’ll go straight up. That’s why you want to buy your gold and silver before that atmosphere.”

Regarding silver specifically Schiff had this to say,

“I think anything in the low \$30’s represents a pretty good entry point for people to buy...Once we go through \$50...I see silver going to \$200 an ounce. I own a lot of silver personally because of that outlook.”

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